# THE FOREST INDUSTRY SNAPSHOT:

*Ministry of Forests, Lands and Natural Resource Operations*

**May 2011**

BRITISH COLUMBIA
The Best Place on Earth

***A Selection of Monthly Economic Statistics***

## Points of interest:

China's Demand Boosted Lumber and Log Exports Worldwide

**Global trade of logs and softwood lumber increased considerably in 2010 and early 2011** from the historically low level in 2008 and 2009, with China being the major driver of the higher demand.

**Canada:** In the first quarter of 2011, Canada's softwood lumber exports totalled 7.59 million m³ (68.5% from B.C.), up 11.2% from 2010 Q1; exports to China, with a share of 20.7% in 2011 Q1, increased 104%. Canada log exports totalled 1.39 million m³ in 2011 Q1 (95.4% from B.C.), up 56.5% from 2010 Q1; exports to China, with a share of 50.4% in 2011 Q1, increased 331% (*B.C. Stats*).

**U.S.:** In the first two months of 2011, U.S. softwood lumber exports increased 39.3% (volume) when compared with the same period in 2010; exports to China increased 486%. U.S. softwood log exports increased 21.6%; exports to China and other destinations (excluding Japan and Canada) increased 86% (*WWPA Lumber Track*).

**Russia:** During the first few months of 2011, Russia's total log and lumber exports were up almost 40% compared to the same period last year, as reported in the *Wood Resource Quarterly*. Much of this increase in shipments has been to China, Finland and Japan.


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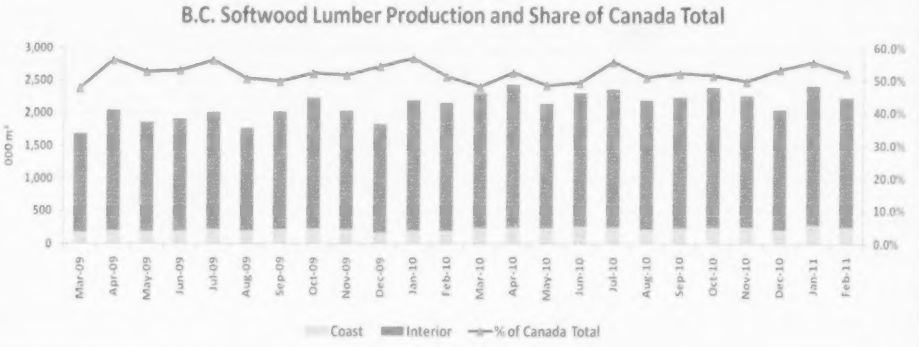
## SOFTWOOD LUMBER MARKET




*Data sources: Madison's, US Census Bureau and Statistics Canada.* * privately-owned housing starts, seasonally adjusted annual rate (SAAR)

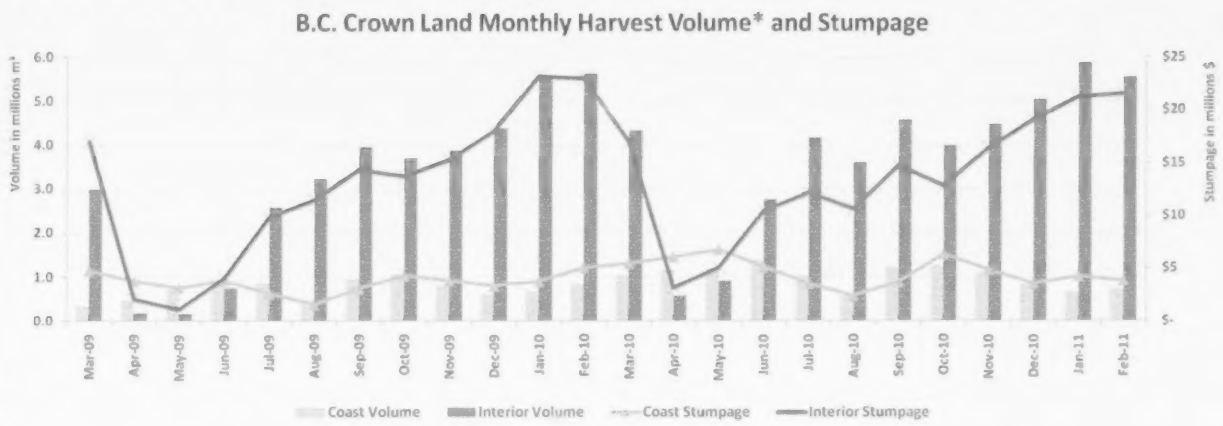
- **U.S. privately-owned housing starts** in April were at a seasonally adjusted annual rate of 523,000. This is 10.6% lower than the revised March rate and 23.9% lower than the revised April 2010 rate. **Sales of new homes** in the U.S. were at a seasonally adjusted annual rate of 300,000 in March 2011, up 11.1% M/M and down 21.9% Y/Y. The **Housing Affordability Index** was at U.S.$187,800 in March 2011, down 2.8% M/M and up 8.1% Y/Y (*from U.S. Census Bureau*).
- **SPF 2x4 price** decreased 14.5% M/M to $248 (U.S.$258) in April 2011, mainly due to weak U.S. demand even as the spring building season began. Chinese demand was steady but prices in that market were beginning to slip as well, possibly caused by higher Chinese inventories. (*from Equity Research Associates*).
- In February 2011, **B.C. softwood lumber production** totalled 2.24 million m³, down 7.2% M/M and up 7.3% Y/Y. 88.6% of the production was from the Interior.
- In March 2011, **B.C. softwood lumber exports value** totalled $359 million, up 21.6% Y/Y. **B.C. softwood lumber exports volume** totalled 2.03 million m³, up 14.8% Y/Y. The top three destinations for softwood lumber exports were: U.S. (value: 42.5% of the March total; volume: 50.4%), China (value: 28.9%; volume: 31.4%) and Japan (value: 16.2%; volume:10.4%).

**Common Abbreviations:**

**$** - Canadian dollars unless noted as U.S.$
**M/M** - % change from the previous to current month
**Y/Y**- % change from the same month in the previous year to the current year
**YTD**- year-to-date
**China**- refers to China, including Hong Kong

 *The information in this report was compiled from a variety of sources by the MFLNRO Competitiveness and Innovation Branch. Data contained in this report is not intended to have any predictive capacity.*

# HARVESTING




*Data source: Harvest Billing System of Ministry of Forests, Lands and Natural Resource Operations.*

**Based on scale dates, all logs (BCTS & Major), special forest products, species and grades billed to Crown land excluding waste, reject and Christmas trees. Data in recent months is subject to change.*

COAST **harvest volume** for all land (including Crown, private and federal) totalled 1.14 million m³ in February 2011, down 1.5% Y/Y. Crown land harvest volume totalled 0.73 million m³, down 14.2% Y/Y. **Stumpage revenue** collected was $3.85 million in February 2011, down 23.3% Y/Y.

INTERIOR **harvest volume** for all land (including Crown, private and federal) totalled 5.61 million m³ in February 2011, down 2.4% Y/Y. Crown land harvest volume totalled 5.54 million m³, down 1.5% Y/Y. **Stumpage revenue** collected was $21.49 million in February 2011, down 6.3% Y/Y.

# EXPORTS

*Data source: Statistics Canada*

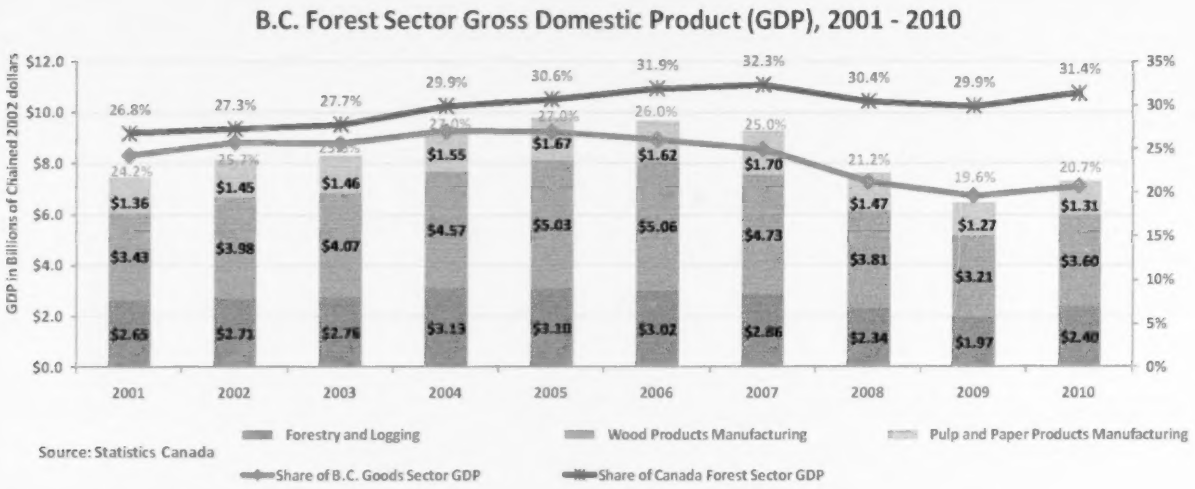
**B.C. forest product exports** totalled $926 million in March 2011, up 24.4% M/M, up 22.3% Y/Y, and up 17.5% YTD from 2010:

- **Wood products exports** totalled $513 million in March, up 21.7% M/M, up 16.8% Y/Y, and up 17.2% YTD from 2010; and
- **Pulp & paper products exports** totalled $413 million in March, up 27.8% M/M, up 30.0% Y/Y, and up 17.9% YTD from 2010.
- **Exports value shares by product** in March 2011: Softwood Lumber (38.7%), Logs (5.1%), Other Wood Products (11.6%), Pulp (33.9%), and Other Pulp & Paper Products (10.7%).

In March 2011, the **destination market** with the largest share of B.C. forest product exports value was the U.S. at 37.3%, while China accounted for 32.6%, Japan accounted for 10.8% and other destinations accounted for 19.2%.

- **Exports to U.S.** totalled $346 million, down 7.7% Y/Y and down 7.3% YTD from 2010.
- **Exports to China** totalled $302 million, up 104.3% Y/Y and up 96.5% YTD from 2010.
- **Exports to Japan** totalled $100 million, up 2.6% Y/Y and up 1.2% YTD from 2010.

# B.C. FOREST SECTOR GDP FOR THE PAST DECADE




Source: Statistics Canada

B.C. Forest Sector GDP (in billions of chained 2002 $)

| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|---|---|---|---|
| $7.44 | $8.15 | $8.30 | $9.25 | $9.80 | $9.69 | $9.28 | $7.62 | $6.45 | $7.30 |
| *% Change* | *9.5%* | *1.9%* | *11.5%* | *5.9%* | *-1.1%* | *-4.2%* | *-17.9%* | *-15.5%* | *13.2%* |

**Gross Domestic Product (GDP)** is a commonly used measure for the amount of economic activity in the traded goods and services sectors of the economy. **B.C. Forest Sector GDP** is made up of the GDPs of three sub-sectors: Forestry & Logging, Wood Products Manufacturing and Pulp & Paper Products Manufacturing. The above chart shows the 10-year trend of B.C. Forest Sector GDP (as measured in chained 2002 $) by sub-sector, its share of the B.C. goods sector GDP, and its share of Canada Forest Sector GDP.

The B.C. forest sector experienced **a full business cycle** in the past decade as measured by GDP. **2004 to 2006 were the peak years for the B.C. forest sector**, mainly due to a favourable softwood lumber market driven by robust U.S. lumber demand and a weak Canadian dollar. U.S. housing starts totalled about 2 million units in 2004 and 2005, and SPF 2x4 price averaged over $500 per thousand bd ft in 2004. B.C. Forest Sector GDP peaked at $9.80 billion in 2005 and accounted for 27.0% of B.C. Goods Sector GDP.

**In 2008 and 2009, the B.C. forest sector experienced one of the worst downturns in its history**, a result of the financial crisis and collapse of the U.S. housing market. U.S. housing starts dropped 73% from the 2005 peak to about one-half million units in 2009. The SPF 2x4 price fell to a historical low of about $200 in 2009, due to a weak lumber market and strong Canadian dollar. B.C. Forest Sector GDP decreased 17.9% from 2007 to 2008, and a further 15.5% to a historically low figure of $6.45 billion in 2009. The Forestry & Logging and Wood Products Manufacturing sub-sectors suffered the largest decreases. The B.C. Forest Sector GDP's share of the B.C. Goods Sector GDP decreased to 19.6% in 2009.

**B.C.'s lumber sector began to show signs of recovery in 2010**. While the U.S. economy was still struggling to recover and housing starts increased only slightly (5.6%) in 2010, the SPF 2x4 price increased 40.6% (in U.S.$) in 2010, driven mainly by the increasing Chinese demand for B.C. lumber. The B.C. Forest Sector GDP increased 13.2% from 2009 to 2010, comprised of increases in Forestry & Logging (21.8%), Wood Product Manufacturing (14.2%) and Pulp & Paper Manufacturing (2.7%).

From 2002 to 2010, **B.C. was the province with the largest forest sector in Canada** when measured by GDP. In 2010, B.C. Forest Sector GDP ($7.30 billion) accounted for 31.4% of Canada Forest Sector GDP, followed by Quebec ($5.96 billion), Ontario ($3.07 billion) and Alberta ($1.36 billion). **B.C. had the largest Forestry & Logging sub-sector** in Canada with $2.40 billion GDP, followed by Quebec ($0.93 billion) and Ontario ($0.36 billion); B.C. **also had the largest Wood Products Manufacturing sub-sector** in Canada with $3.60 billion GDP, followed by Quebec ($2.73 billion) and Ontario ($1.64 billion); **B.C. had the 2nd largest Pulp & Paper Products Manufacturing sector** in Canada with $1.31 billion GDP, smaller than Quebec ($2.30 billion) and larger than Ontario ($1.07 billion).

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## DATA SUMMARY

# Monthly Economic Statistics - May 2011

| | Latest Month | | Month Ago | M/M Change | Year Ago | Y/Y Change | Current YTD | Previous YTD | YTD/YTD* Change |
|---|---|---|---|---|---|---|---|---|---|
| **Lumber Prices** *(U.S.$/000 bd ft)* | | | | | | | | | |
| SPF 2x4 | *Apr 11* | **$258** | $297 | -13.0% | $307 | -15.8% | $289 | $277 | 4.5% |
| Random Lengths Lumber Composite | *Apr 11* | **$275** | $294 | -6.4% | $351 | -21.7% | $292 | $309 | -5.6% |
| SPF 2x10 | *Apr 11* | **$301** | $323 | -6.8% | $349 | -13.9% | $326 | $342 | -4.5% |
| SPF Stud | *Apr 11* | **$260** | $283 | -8.0% | $326 | -20.2% | $273 | $288 | -5.3% |
| Cedar 2x4 | *Apr 11* | **$638** | $650 | -1.8% | $650 | -1.8% | $647 | $650 | -0.5% |
| Hemlock Squares | *Apr 11* | **$810** | $790 | 2.5% | $790 | 2.5% | $793 | $780 | 1.6% |
| **Panel Prices** *(U.S.$/000 sq ft)* | | | | | | | | | |
| Plywood | *Apr 11* | **$312** | $310 | 0.7% | $364 | -14.2% | $310 | $329 | -5.8% |
| OSB | *Apr 11* | **$199** | $203 | -1.7% | $346 | -42.4% | $204 | $259 | -21.5% |
| **Pulp & Paper Prices** *(U.S.$/tonne)* | | | | | | | | | |
| NBSK Pulp | *Apr 11* | **$991** | $965 | 2.7% | $912 | 8.7% | $963 | $860 | 12.0% |
| Newsprint (U.S. Eastcoast) | *Apr 11* | **$626** | $628 | -0.3% | $553 | 13.1% | $627 | $538 | 16.5% |
| **CAD/USD Exchange Rate** | *Apr 11* | **0.9582** | 0.9766 | -1.9% | 1.0051 | -4.7% | 0.9791 | 1.0320 | -5.1% |
| **Housing Starts** *(000 units)* | | | | | | | | | |
| U.S. (Seasonally Adjusted Annual Rates) | *Apr 11* | **523** | 585 | -10.6% | 687 | -23.9% | 566 | 633 | -10.6% |
| Canada | *Apr 11* | **179** | 185 | -3.1% | 205 | -12.9% | 178 | 199 | -10.6% |
| Japan (Wood-based) | *Feb 11* | **34** | 36 | -6.2% | 32 | 4.4% | 69 | 67 | 3.8% |
| **B.C. Lumber Production** *(000 m³)* | *Feb 11* | **2,239** | 2,412 | -7.2% | 2,087 | 7.3% | 4,650 | 4,336 | 7.2% |
| Coast | *Feb 11* | **255** | 286 | -10.9% | 199 | 28.1% | 541 | 400 | 35.3% |
| Interior | *Feb 11* | **1,984** | 2,125 | -6.7% | 1,956 | 1.4% | 4,109 | 3,951 | 4.0% |
| **B.C. Market Pulp Shipments** *(000 tonne)* | *Mar 11* | **434** | 337 | 28.9% | 329 | 32.0% | 1,163 | 1,012 | 15.0% |
| **B.C. Forest Products Exports** *(million $)* | *Mar 11* | **$926** | $745 | 24.4% | $757 | 22.3% | $2,408 | $2,049 | 17.5% |
| Wood Products | *Mar 11* | **$513** | $422 | 21.7% | $439 | 16.8% | $1,312 | $1,119 | 17.2% |
| Pulp & Paper products | *Mar 11* | **$413** | $323 | 27.8% | $318 | 30.0% | $1,096 | $930 | 17.9% |
| **Shares of B.C. Forest Products Exports Value** *(%)* | | | | | | | | | |
| U.S. | *Mar 11* | **37.3%** | 38.7% | -3.5% | 49.5% | -24.5% | 38.4% | 48.7% | -21.2% |
| China + Hong Kong | *Mar 11* | **32.6%** | 33.6% | -3.0% | 19.5% | 67.0% | 32.5% | 19.4% | 67.2% |
| Japan | *Mar 11* | **10.8%** | 11.1% | -2.7% | 12.9% | -16.1% | 10.9% | 12.6% | -13.9% |
| Other | *Mar 11* | **19.2%** | 16.6% | 15.9% | 18.1% | 6.1% | 18.3% | 19.3% | -5.1% |
| **Market Shares of U.S. Lumber Consumption** *(%)* | | | | | | | | | |
| B.C. | *Feb 11* | **14.0%** | 13.3% | 5.1% | 18.1% | -22.8% | 13.6% | 16.8% | -18.8% |
| Rest of Canada | *Feb 11* | **11.6%** | 11.4% | 2.4% | 10.1% | 15.3% | 11.5% | 9.8% | 17.7% |
| U.S. | *Feb 11* | **74.4%** | 75.3% | -1.3% | 71.8% | 3.6% | 74.9% | 73.4% | 2.0% |
| 3rd Country | *Feb 11* | **0.9%** | 1.6% | -43.0% | 1.4% | -32.9% | 1.3% | 1.4% | -7.3% |
| **B.C. Crown Land Scaled Volume**** *(000 m³)* | *Feb 11* | **6,269** | 6,523 | -3.9% | 6,474 | -3.2% | 12,792 | 12,700 | 0.7% |
| Coast | *Feb 11* | **728** | 648 | 12.4% | 848 | -14.2% | 1,376 | 1,510 | -8.9% |
| Interior | *Feb 11* | **5,541** | 5,875 | -5.7% | 5,625 | -1.5% | 11,416 | 11,190 | 2.0% |
| **B.C. Stumpage** *(million $)* | *Feb 11* | **$25.3** | $25.5 | -0.7% | $28.0 | -9.3% | $50.9 | $54.8 | -7.2% |
| Coast | *Feb 11* | **$3.8** | $4.3 | -9.5% | $5.0 | -23.3% | $8.1 | $8.7 | -7.2% |
| Interior | *Feb 11* | **$21.5** | $21.3 | 1.0% | $22.9 | -6.3% | $42.8 | $46.1 | -7.2% |
| **B.C. Forestry Employment (LFS)** *(000 jobs)* | *Apr 11* | **55.7** | 52.0 | 7.1% | 56.4 | -1.2% | 53.2 | 54.1 | -1.7% |
| Forestry & Logging | *Apr 11* | **10.5** | 10.8 | -2.8% | 17.7 | -40.7% | 11.2 | 16.3 | -31.2% |
| Wood Products | *Apr 11* | **35.5** | 30.9 | 14.9% | 29.4 | 20.7% | 31.8 | 28.3 | 12.2% |
| Paper Products | *Apr 11* | **9.7** | 10.3 | -5.8% | 9.3 | 4.3% | 10.2 | 9.5 | 7.7% |
| **B.C. Log Exports** | | | | | | | | | |
| Volume ( *000 m³* ) | *Mar 11* | **456** | 563 | -18.9% | 318 | 43.4% | 1,327 | 813 | 63.2% |
| Value ( *million $* ) | *Mar 11* | **$47.6** | $46.4 | 2.4% | $33.8 | 40.7% | $123.7 | $79.5 | 55.5% |

** based on calendar year, change % from the same year-to-date period of the previous. year to the year-to-date of current year.*

*** Preliminary data and subject to change.*

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